

Resilient performance in tough market conditions

- UK total accommodation sales declined 1.5% in the quarter due to weak trading conditions
- In-line with previous guidance, caution on the UK business environment given macro uncertainty
- On plan with our efficiency programme helping to partially offset high industry inflation
- German expansion firmly on target, with 7,000 rooms open and committed
- Continued investment in UK & Germany given long-term structural opportunity
- Tender offer to be launched 20 June to return up to £2 billion, subject to shareholder approval

	UK like-for-like Sales Growth	UK Total Sales Growth	UK & International ¹ Total Sales Growth
Accommodation	(4.6)%	(1.5)%	(1.3)%
Food & beverage	(2.1)%	(0.4)%	(0.4)%
Total	(3.7)%	(1.1)%	(1.0)%²

¹Includes Germany; ²excludes £3 million non-underlying TSA income

Alison Brittain, Whitbread PLC Chief Executive, said:

“We have delivered a resilient performance in the first quarter despite more challenging market conditions and we continue to make good progress with our efficiency programme, which is helping to partially offset another year of high industry cost inflation.

Our expansion into Germany is firmly on target. Our new hotel opening in Hamburg is performing above our expectations and our hotel in Frankfurt continues to perform well. We will open another two organic sites during this financial year and complete the first tranche of the 19-hotel Foremost Hospitality acquisition, with 13 being rebranded to Premier Inn in the first half of next year.

Whilst we are cautious about short-term market conditions, we are confident in our plans given the significant growth opportunities in the UK and internationally. Given our strong balance sheet, efficiency programme and robust business model, we are in a strong position and we will continue to invest in order to maintain Premier Inn’s competitive advantages and to capitalise on our structural growth opportunities.”

Update on market conditions

The weaker business and leisure confidence has continued, as referenced at the start of the year, coinciding with ongoing political and economic uncertainty in the UK. This has impacted domestic hotel demand, particularly in the regional business market, where most Premier Inn hotels are located. As a result of weaker demand, Premier Inn’s UK total accommodation sales declined 1.5% in the first quarter and F&B performance also declined slightly. It is difficult to predict how business confidence and business investment will evolve over the year, however, we continue to monitor its impact on the market closely and will provide an update at our first-half results in October.

Update on Return of Capital

Whitbread intends to return up to £2.5 billion of the net cash proceeds from the sale of Costa to shareholders, unless more value creating opportunities arise and subject to prevailing market conditions. The first phase has now been completed, with £482 million returned to shareholders through a share buyback programme, which ended on 10 May 2019. For the second phase, Whitbread now intends to pursue a Tender Offer to repurchase up to a further £2 billion of shares, subject to shareholder approval. If less than £2 billion is returned through the Tender Offer, the Board will consider a possible third phase to return any remaining surplus cash.

Investor queries

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First Quarter FY20 performance summary

- Total UK accommodation sales declined 1.5% in the quarter, due to weak market conditions
- Investment in new hotels continued, with 282 UK rooms opened during the first quarter
- New hotel in Hamburg is performing well ahead of expectations

	Like-for-like Sales Growth	Total Sales Growth
Accommodation	(4.6)%	(1.5)%
Food & beverage	(2.1)%	(0.4)%
UK & Ireland	(3.7)%	(1.1)%
Germany	n.a.	77.3%
Total Sales	n.a.	(1.0)%

<i>UK metrics</i>	<i>Actual</i>	<i>Growth</i>	<i>Like-for-like Growth</i>
Occupancy	74.8%	(230)bps	-
Average room rate	£61.45	(3.4)%	-
Revenue per available room	£45.98	(6.3)%	(6.0)%
Net number of hotel rooms	76,385	214	-

UK & Ireland

During the first quarter, UK total accommodation sales declined 1.5%. This was predominantly due to declining business confidence, impacting short-lead bookings. During the quarter 282 new rooms were added in the UK, with 3,000 to 3,500 rooms expected to be added during the financial year.

In London, significant room additions of 9.4% over the last year contributed to Premier Inn's total accommodation sales growth of 1.0%. However, like-for-like accommodation sales declined 4.2%, reflecting weaker market conditions. London continues to be a good long-term market with strong demand and high occupancy levels, and further capacity will be added.

The regional market continues to be impacted to a greater extent by declining business confidence, with total accommodation sales for the regional Midscale & Economy market declining 1.5% in the first quarter. Premier Inn has a greater business mix than the market, contributing to a total accommodation sales decline of 2.2% over the same period, driven primarily by weak short-lead business bookings. Although forward bookings look positive, caution remains on the UK hotel environment given ongoing political uncertainty and the impact this has on business confidence.

Germany

Whitbread's first German hotel in Frankfurt continues to perform well, with occupancy levels of around 70%, whilst maintaining 100% direct bookings. Whitbread's second German hotel in Hamburg has been open for three months, performing ahead of expectations with very positive customer feedback. This year, two organic hotels in Germany will be opened and Whitbread will complete the first tranche of the Foremost Hospitality acquisition of 19 hotels, with 13 being rebranded to Premier Inn in the first half of next year.

Whitbread expects to add 3,000 to 3,500 rooms in the UK and over 2,000 in Germany. Most of the German room additions are part of the Foremost acquisition and will require a period of closure to be rebranded into Premier Inn hotels early in FY21. The current pipeline of nearly 20,000 rooms is secured through a mixture of freehold, leasehold and acquisitions, with almost a third of the pipeline committed in Germany. This new capacity is expected to mature to reach return on capital in-line with the current estate.

Appendix I | Premier Inn UK hotels performance comparison

Q1

Year-on-year change	Premier Inn UK accommodation				Midscale & economy market ³	
	Like-for-like Sales	Total Sales	Like-for-like RevPAR	Total RevPAR	Total Sales	Total RevPAR
London	(4.2)%	1.0%	(4.4)%	(6.1)%	3.5%	(0.6)%
Regional	(4.7)%	(2.2)%	(6.4)%	(6.6)%	(1.5)%	(4.6)%
Total UK	(4.6)%	(1.5)%	(6.0)%	(6.3)%	(0.1)%	(3.4)%

³ STR Global